

The Honorable Ricardo S. Martinez

UNITED STATES DISTRICT COURT  
WESTERN DISTRICT OF WASHINGTON AT SEATTLE

SENIOR HOUSING ASSISTANCE GROUP ,

Plaintiff,

v.

AMTAX HOLDINGS 260, LLC, et al. ,

Defendants.

CASE NO. 2:17-CV-01115 RSM

ANSWER OF THIRD-PARTY  
DEFENDANTS STEEL LAKE  
LAKEWOOD MEADOWS,  
LYNNWOOD RETIREMENT AND  
WOODLANDS

AMTAX HOLDINGS 260, LLC, et al. ,

Counter-Plaintiffs,

v.

SENIOR HOUSING ASSISTANCE  
CORPORATION, et al.,

Counter-Defendants.

Pursuant to Rule 8(b) of the Federal Rules of Civil Procedure, Third-Party Defendants Steel Lake Enterprises, LLC (“Steel Lake”), Lakewood Meadows Enterprises, LLC (“Lakewood”), Lynnwood Retirement Living, LLC (“Lynnwood”), and Woodlands Associates, LLC (“Woodlands”) (collectively, the “PNCC-affiliated General Partners”), all of whom are affiliates of proposed Intervenor Pacific Northern Construction Company, Inc. (“PNCC”),

ANSWER OF THIRD-PARTY  
DEFENDANTS - 1  
CASE NO. 2:17-CV-01115 RSM  
#1133196 v1 / 72811-001  
#1145134 v1 / 72811-001

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hereby answer Defendants' third-party claims (asserted as "Counterclaims") filed September 15, 2017 (the "Third-Party Claims"), and allege as follows:

### **ANSWER TO THIRD-PARTY CLAIMS**

#### **I. INTRODUCTION**

1. The PNCC-affiliated General Partners admit the first two sentences of Paragraph 1. As to the third sentence of Paragraph 1, the PNCC-affiliated General Partners admit that the partnership agreements grant SHAG a special right of first refusal (a "special ROFR") to purchase the LIHTC projects as described in Section 7.4L of those partnership agreements; the PNCC-affiliated General Partners otherwise deny the allegations in the third sentence of Paragraph 1. The PNCC-affiliated General Partners admit that Section 42(i)(7) of the Internal Revenue Code provides that no federal income tax benefit shall be disallowed merely by reason of the existence of such a special ROFR held by a qualified purchaser, and deny the allegations in the fourth sentence of Paragraph 1 to the extent they are inconsistent with the express provisions of Section 42(i)(7).

2. In response to the first sentence of Paragraph 2, the PNCC-affiliated General Partners admit that the AMTAX defendants are entitled to certain allocations of partnership items of 99% or greater in each of the Project Partnerships, but deny that such allocations constitute 99% or greater ownership in each of the Project Partnerships since the PNCC-affiliated General Partners are entitled to allocations or payments of all or substantially all of certain other partnership items, especially the economic benefits of ownership that are commonly associated with real estate ownership such as cash flow from operations. Accordingly, the characterization of "ownership" in Paragraph 2 is over-simplified. The systems of partnership allocations were designed to allocate all or substantially all of the tax credits and other tax benefits to AMTAX defendants and to allocate all or substantially all of the economic benefits of ownership to the Managing General Partners of the Project Partnerships. The benefits associated with the special ROFR described in Section 7.4L of the partnership agreements, as well as the

1 Option to purchase described in Section 7.4J of the partnership agreements, are associated with  
2 economic benefits. The remainder of Paragraph 2 constitutes AMTAX's own self-serving  
3 characterization of its unfounded legal theory and, therefore, the PNCC-affiliated General  
4 Partners deny the substantive allegations contained in the remainder of Paragraph 2.

5 3. Paragraph 3 consists of a continuation of AMTAX's own self-serving  
6 characterization of its unfounded legal theory as to the motives or intentions of SHAG and,  
7 therefore, the PNCC-affiliated General Partners deny the allegations contained in Paragraph 3.

8 4. Paragraph 4 consists of a continuation of AMTAX's own self-serving  
9 characterization of its unfounded legal theory as to when a special ROFR can be exercised and,  
10 therefore, the PNCC-affiliated General Partners deny the substantive allegations and legal  
11 conclusions contained in Paragraph 4 as they are contrary to the plain language of Section 7.4L  
12 of the applicable partnership agreements.

13 5. Paragraph 5 consists of a continuation of AMTAX's own self-serving  
14 characterization of its unfounded legal theory as to the Congressional intent surrounding Section  
15 42(i)(7) and, therefore, the PNCC-affiliated General Partners deny the substantive allegations  
16 and legal conclusions contained in Paragraph 4 as they are contrary to the plain language of  
17 Section 42(i)(7), as well as the plain language of Section 7.4L of the applicable partnership  
18 agreements.

19 6. In response to the first sentence of Paragraph 6, the PNCC-affiliated General  
20 Partners admit that SHAG and SHAC entered into a Global Indemnity Agreement, dated July 12,  
21 2001, with PNCC and several of its affiliates. The PNCC-affiliated General Partners deny that  
22 PNCC or any of its affiliates are also affiliated with SHAG and SHAC. The PNCC-affiliated  
23 General Partners deny all other allegations in Paragraph 6 to the extent they are inconsistent with  
24 the express terms of the Global Indemnity Agreement.  
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1           7.       Denied. The PNCC-affiliated General Partners deny that SHAG, PNCC, and their  
2 affiliates resisted disclosure of the Global Indemnity Agreement, or otherwise attempted to hide  
3 the Agreement or force AMTAX/Protech out of any Project Partnership.

4           8.       Denied. In response to the first sentence of Paragraph 8, the PNCC-affiliated  
5 General Partners deny any impropriety arising from the Global Indemnity Agreement. In  
6 response to the second sentence of Paragraph 8, the PNCC-affiliated General Partners deny that,  
7 because “the relevant limited partnership agreement provisions at issue in this matter must be  
8 interpreted in the context of Section 42” (SHAG Complaint Paragraph 2), it prevents SHAG  
9 from exercising its special ROFR. Nothing in Section 42 contravenes the conditions for the  
10 exercise of the special ROFR set forth under Section 7.4L of the partnership agreements. In  
11 response to the third sentence of Paragraph 8, the PNCC-affiliated General Partners deny that  
12 permitting SHAG to purchase the LIHTC projects, notwithstanding the existence of the Global  
13 Indemnity Agreement, would jeopardize the tax credits that the partnership agreements are  
14 specially drafted to protect.

15           9.       Denied.

16           10.      Denied.

17           11.      Paragraph 11 constitutes a description of AMTAX’s request for relief that does  
18 not require a response; however, the PNCC-affiliated General Partners deny the allegations in  
19 Paragraph 11 to the extent they purport to provide bases for AMTAX’s request for relief.  
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**II. PARTIES**

12. The PNCC-affiliated General Partners lack information sufficient to admit or deny AH 260's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 12.

13. The PNCC-affiliated General Partners lack information sufficient to admit or deny AH 259's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 13.

14. The PNCC-affiliated General Partners lack information sufficient to admit or deny AH 261's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 14.

15. The PNCC-affiliated General Partners lack information sufficient to admit or deny AH 258's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 15.

16. The PNCC-affiliated General Partners lack information sufficient to admit or deny AH 257's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 16.

17. The PNCC-affiliated General Partners lack information sufficient to admit or deny AH 164's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 17.

18. The PNCC-affiliated General Partners lack information sufficient to admit or deny AH 109's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 18.

19. The PNCC-affiliated General Partners lack information sufficient to admit or deny Protech W's allegations about its legal domicile or principal place of business, but otherwise admit the allegations in Paragraph 19.



1 PNCC-affiliated General Partners admit that LIHTC provisions in Section 42 of the Internal  
2 Revenue Code permit tax credits to be “sold” to equity investors in exchange for equity capital  
3 contributions to low income housing projects directly or indirectly through pass-through entities  
4 such as partnership and limited liability companies. The PNCC-affiliated General Partners  
5 further admit that LIHTC projects complying with Section 42 can generate tax credits and other  
6 tax benefits for equity investors. The PNCC-affiliated General Partners otherwise lack sufficient  
7 knowledge to admit or deny the remaining allegations, and therefore deny same.

8 33. The PNCC-affiliated General Partners admit that LIHTC investments are often  
9 structured as a limited partnership between and investor limited partner, which provides capital,  
10 and a general partner, which is responsible for developing and operating the project. The PNCC-  
11 affiliated General Partners further admit that investor partners sometimes act in concert with a  
12 special limited partner and that the general partner is sometimes a qualified nonprofit  
13 organization focused on affordable housing or sometimes works with a qualified nonprofit  
14 organization. The PNCC-affiliated General Partners otherwise deny the allegations in Paragraph  
15 33.

16 34. Paragraph 34 contains legal conclusions and arguments to which no response is  
17 required. To the extent Paragraph 34 contains factual allegations that require a response, the  
18 PNCC-affiliated General Partners deny such allegations.

19 35. The PNCC-affiliated General Partners admit that partnership agreements such as  
20 those for the Project Partnerships often contain provisions governing the disposition of the  
21 project following the expiration of the fifteen-year LIHTC Compliance Period, and that those  
22 provisions can include options, forced sale rights, and rights of first refusal such as the special  
23 ROFR. The PNCC-affiliated General Partners otherwise deny the allegations in Paragraph 35.

24 36. The PNCC-affiliated General Partners deny the allegations in Paragraph 36.  
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1           37. The PNCC-affiliated General Partners admit that the minimum purchase price set  
2 by Section 42(i)(7)(B) may not always be less than fair market value, but otherwise deny the  
3 allegations in Paragraph 37.

4           38. The PNCC-affiliated General Partners deny the allegations in Paragraph 38.

5 **The Partnership Agreements**

6           39. The PNCC-affiliated General Partners admit that the various partnership  
7 agreements are not all identical, and deny the allegations in Paragraph 39 to the extent they are  
8 inconsistent with the provisions of such partnership agreements.

9 ***Purchase and Sale Provisions***

10           40. Paragraph 40 contains legal conclusions and arguments to which no response is  
11 required. To the extent Paragraph 40 contains factual allegations, the PNCC-affiliated General  
12 Partners deny the allegations in Paragraph 40.

13           41. Paragraph 41 contains legal conclusions and arguments to which no response is  
14 required. The PNCC-affiliated General Partners deny the allegations to the extent they are  
15 inconsistent with the express provisions of Section 7.4J of the partnership agreements.

16           42. Paragraph 42 contains legal conclusions and arguments to which no response is  
17 required. The PNCC-affiliated General Partners deny the allegations to the extent they are  
18 inconsistent with the express provisions of Section 7.4.K of the partnership agreements.

19           43. Paragraph 43 contains legal conclusions and arguments to which no response is  
20 required. The PNCC-affiliated General Partners deny the allegations to the extent they are  
21 inconsistent with the express provisions of Section 7.4.L of the partnership agreements.

22           44. Paragraph 44 contains legal conclusions and arguments to which no response is  
23 required. The PNCC-affiliated General Partners deny the allegations to the extent that they are  
24 inconsistent with the partnership agreements.



1           45. Paragraph 45 contains legal conclusions and arguments to which no response is  
2 required. The PNCC-affiliated General Partners deny the allegations to the extent that they are  
3 inconsistent with the partnership agreements.

4 ***Obligations of Managing PNCC-affiliated General Partners***

5           46. The PNCC-affiliated General Partners deny the allegations in Paragraph 46 to the  
6 extent they are inconsistent with the express provisions of Section 7.4.G in the partnership  
7 agreements, the other provisions set forth in the partnership agreements, and the provisions of  
8 common law.

9           47. The first sentence of Paragraph 47 contains legal conclusions and arguments to  
10 which no response is required. The PNCC-affiliated General Partners deny the allegations in the  
11 second sentence of Paragraph 47 to the extent they are inconsistent with the express provisions  
12 of Section 12.1I of the partnership agreements. The PNCC-affiliated General Partners otherwise  
13 deny the allegations.

14           48. Paragraph 48 contains legal conclusions and arguments to which no response is  
15 required. The PNCC-affiliated General Partners otherwise deny the allegations in Paragraph 48.

16  
17 **The Global Indemnity Agreement**

18           49. The PNCC-affiliated General Partners admit that they served as the developer, or  
19 provided development management services, on behalf of the developer of record, for all seven  
20 projects.

21           50. The PNCC-affiliated General Partners admit that they have worked with SHAG  
22 on several occasions to develop, build, and manage affordable housing projects in Washington.  
23 The PNCC-affiliated General Partners have insufficient knowledge to admit or identify whether  
24 or not Bryan Park, the President of PNCC, was identified as a “representative” of SHAG in  
25 Senate Bill Report HB 1605, or if Mr. Park was erroneously listed as a “representative” of  
26 SHAG in connection with his testimony before the Washington State Senate Committee Hearing  
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on Governmental Operations & Security on April 13, 2015. The PNCC-affiliated General Partners admit that Mr. Park did indeed testify before the Committee, but deny any affiliation between Mr. Park and SHAG or between PNCC and SHAG. In response to the last sentence of Paragraph 50, the PNCC-affiliated General Partners deny the allegation that PNCC and SHAG both have offices located at 201 – 27<sup>th</sup> Avenue SE in Puyallup, WA 98374.

51. Denied.

52. The PNCC-affiliated General Partners admit that SHAG and SHAC entered into the Global Indemnity Agreement dated July 12, 2001, with PNCC and certain of its affiliates, including Steel Lake. The PNCC-affiliated General Partners admit that a copy of the Global Indemnity Agreement was attached to Docket #26 as Exhibit A. The PNCC-affiliated General Partners deny the allegations beginning in the third sentence of Paragraph 52 to the extent they are inconsistent with the exact and entire language of the Global Indemnity Agreement, and otherwise deny the allegations in Paragraph 52.

53. Denied.

54. Admitted.

#### **Meridian Court**

55. Admitted.

56. Admitted.

57. Paragraph 57 contains legal conclusions and arguments to which no response is required. The PNCC-affiliated General Partners deny the allegations in Paragraph 57 to the extent they are inconsistent with Section 2.3 (Purpose) and other applicable provisions of the Meridian Court Apartments Partnership Agreement.

58. Admitted.

59. Admitted.

60. Admitted, except that, in response to the allegations in the last sentence of Paragraph 60, while Steel Lake executed the Global Indemnity Agreement, it did so on its own

1 behalf and not as an affiliate of PNCC. PNCC is not a member of Steel Lake, although Paul Scott  
2 Price, a member and the manager of Steel Lake, is an officer and shareholder of PNCC, and,  
3 therefore, an affiliate of PNCC.

4 61. Paragraph 61 contains legal conclusions and argument to which no response is  
5 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 61 to the  
6 extent they are inconsistent with the express provisions of Section 4.5A(iii) of the Meridian  
7 Court Apartments Partnership Agreement.

8 62. Paragraph 62 contains legal conclusions and arguments to which no response is  
9 required. The PNCC-affiliated General Partners admit the allegations in the first sentence of  
10 Paragraph 62, and deny the allegations in the second sentence of Paragraph 62 to the extent they  
11 are inconsistent with the express provisions of Section 7.4J and Section 4.5A(iii) of the Meridian  
12 Court Apartments Partnership Agreement.

13 63. Paragraph 63 contains legal conclusions and arguments to which no response is  
14 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 63 to the  
15 extent they are inconsistent with the express provisions of Sections 7.4J, 7.4K and 7.4L of the  
16 Meridian Court Apartments Partnership Agreement.

17 64. Admitted.

18 65. The first sentence of Paragraph 65 contains legal conclusions and arguments to  
19 which no response is required. The PNCC-affiliated General Partners admit the allegations in  
20 the second sentence of Paragraph 65.

21 66. Admitted.

22 67. Admitted.

23 68. The PNCC-affiliated General Partners admit that, on or before December 30,  
24 2014, SHAG gave timely written notice of the exercise of its Special ROFR under Section 7.4L  
25 to the Partnership, and the Partnership provided AH 260 and Protech W a copy thereof; the  
26 PNCC-affiliated General Partners otherwise deny the allegations in Paragraph 68.

1           69. The PNCC-affiliated General Partners lack sufficient information to admit or  
2 deny the allegations in the first sentence of Paragraph 69, and therefore deny the same.

3           70. Denied.

4           71. Denied.

5           72. Denied.

6           73. Denied.

7           74. Denied.

8           75. Denied.

9           76. Denied.

10          77. Denied.

11 **Auburn Court**

12          78. Admitted.

13          79. Admitted.

14          80. Paragraph 80 contains legal conclusions and argument to which no response is  
15 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 80 to the  
16 extent they are inconsistent with the Auburn North Associates partnership agreement.

17          81. Admitted.

18          82. Admitted.

19          83. The PNCC-affiliated General Partners deny that Fox Housing Enterprise was or is  
20 the developer of the Auburn Court Project, admit that Fox provided development management  
21 services on behalf of SHAG in its capacity as the developer of record, and admit that Fox signed  
22 the Global Indemnity Agreement as an affiliate for PNCC, and admit that SHAG is the  
23 Managing General Partner of Auburn North Associates LP. SHAG is also the Developer of  
24 record of the Auburn Court Project.  
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1           84. Paragraph 84 contains legal conclusions and argument to which no response is  
2 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 84 to the  
3 extent they are inconsistent with the Auburn North Apartments partnership agreement.

4           85. Paragraph 85 contains legal conclusions and argument to which no response is  
5 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 85 to the  
6 extent they are inconsistent with the Auburn North Apartments partnership agreement.

7           86. Paragraph 86 contains legal conclusions and argument to which no response is  
8 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 86 to the  
9 extent they are inconsistent with the Auburn North Apartments partnership agreement.

10          87. The PNCC-affiliated General Partners deny the allegations in Paragraph 87 to the  
11 extent they are inconsistent with Section 7.4.L.

12          88. The first sentence of Paragraph 88 contains legal conclusions and argument to  
13 which no response is required. The PNCC-affiliated General Partners deny the allegations in the  
14 second sentence of Paragraph 88 to the extent they are inconsistent with 26 U.S.C. § 42(i)(7)(A).

15          89. Paragraph 89 contains legal conclusions and argument to which no response is  
16 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 89 to the  
17 extent they are inconsistent with the Global Indemnity Agreement.

18          90. The PNCC-affiliated General Partners admit the compliance period expired on  
19 December 31, 2013, and deny the remaining allegations to the extent they are inconsistent with  
20 the project documents.

21          91. The PNCC-affiliated General Partners admit that, on about December 30, 2015,  
22 SHAG gave timely written notice of the exercise of its Special ROFR to the Partnership and the  
23 Investor and Special Limited Partners; the PNCC-affiliated General Partners otherwise deny the  
24 allegations in Paragraph 91.

25          92. The PNCC-affiliated General Partners lack sufficient information to admit or  
26 deny the allegations that, as of December 30, 2015, AH 259 had not attempted to exercise its  
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1 rights under Section 7.4.K, and that neither AH 259 nor Protech W had “given any other  
 2 indication of a desire to sell the Auburn Court Apartments Project,” and therefore deny same.  
 3 The PNCC-affiliated General Partners otherwise deny the remaining allegations in Paragraph 92.

4 93. The PNCC-affiliated General Partners admit that SHAG provided notice to AH  
 5 259 and Protech W in letters dated December 29, 2015 and December 30, 2015, of bona fide  
 6 third-party offers to purchase the Auburn Court Apartments Project. The PNCC-affiliated  
 7 General Partners admit that SHAG rejected the offer from SSRE Development, Inc., but offered  
 8 to reconsider subject to certain terms. The PNCC-affiliated General Partners admit that SHAG  
 9 accepted the offer from Redwood, subject to counter-offer terms. The PNCC-affiliated General  
 10 Partners otherwise deny the allegations in Paragraph 93.

11 94. Denied.

12 95. Denied.

13 96. Denied.

14 97. Denied.

15 98. Denied.

16 99. Denied.

17 **Boardwalk**

18 100. Admitted.

19 101. Admitted.

20 102. Paragraph 102 contains legal conclusions and argument to which no response is  
 21 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 102 to the  
 22 extent they are inconsistent with the Capital Way Associates partnership agreement.

23 103. Admitted.

24 104. Admitted.

25 105. Admitted.

1           106. Paragraph 106 contains legal conclusions and argument to which no response is  
2 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 106 to the  
3 extent they are inconsistent with the Capital Way Associates partnership agreement.

4           107. Paragraph 107 contains legal conclusions and argument to which no response is  
5 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 107 to the  
6 extent they are inconsistent with the Capital Way Associates partnership agreement.

7           108. Paragraph 108 contains legal conclusions and argument to which no response is  
8 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 108 to the  
9 extent they are inconsistent with the Capital Way Associates partnership agreement.

10           109. The PNCC-affiliated General Partners deny the allegations in Paragraph 109 to  
11 the extent they are inconsistent with Section 7.4.L.

12           110. The first sentence of Paragraph 110 contains legal conclusions and argument to  
13 which no response is required. The PNCC-affiliated General Partners deny the allegations in the  
14 second sentence of Paragraph 110 to the extent they are inconsistent with 26 U.S.C. §  
15 42(i)(7)(A).

16           111. Paragraph 111 contains legal conclusions and argument to which no response is  
17 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 111 to the  
18 extent they are inconsistent with the Global Indemnity Agreement.

19           112. The PNCC-affiliated General Partners admit the compliance period expired on  
20 December 31, 2014, and deny the remaining allegations to the extent they are inconsistent with  
21 the project documents.

22           113. The PNCC-affiliated General Partners admit that, on about November 18, 2016,  
23 SHAG gave timely written notice of the exercise of its Special ROFR to the Partnership, the  
24 General Partner, and the Limited Partners; the PNCC-affiliated General Partners otherwise deny  
25 the allegations in Paragraph 113.  
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114. The PNCC-affiliated General Partners are without sufficient knowledge to admit or deny that, as of November 18, 2016, AH 261 had not attempted to exercise its rights under Section 7.4.K, or that neither AH 261 nor Protech W had “given any other indication of a desire to sell the Boardwalk Apartments Project,” and therefore deny same. The PNCC-affiliated General Partners otherwise deny the remaining allegations in Paragraph 114.

115. Denied.

116. Denied.

117. Denied.

118. Denied.

119. Denied.

120. Denied.

#### **WoodRose**

121. Admitted.

122. Admitted.

123. Paragraph 123 contains legal conclusions and argument to which no response is required. The PNCC-affiliated General Partners deny the allegations in Paragraph 123 to the extent they are inconsistent with the Woodrose partnership agreement.

124. Admitted.

125. Admitted.

126. Admitted.

127. Paragraph 127 contains legal conclusions and argument to which no response is required. The PNCC-affiliated General Partners deny the allegations in Paragraph 127 to the extent they are inconsistent with the Woodrose partnership agreement.

128. Paragraph 128 contains legal conclusions and argument to which no response is required. The PNCC-affiliated General Partners deny the allegations in Paragraph 128 to the extent they are inconsistent with the Woodrose partnership agreement.

1           129. Paragraph 129 contains legal conclusions and argument to which no response is  
2 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 129 to the  
3 extent they are inconsistent with the Woodrose partnership agreement.

4           130. The PNCC-affiliated General Partners deny the allegations in Paragraph 130 to  
5 the extent they are inconsistent with Section 7.4.L.

6           131. The first sentence of Paragraph 131 contains legal conclusions and argument to  
7 which no response is required. The PNCC-affiliated General Partners deny the allegations in the  
8 second sentence of Paragraph 131 to the extent they are inconsistent with 26 U.S.C. §  
9 42(i)(7)(A).

10           132. Paragraph 132 contains legal conclusions and argument to which no response is  
11 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 132 to the  
12 extent they are inconsistent with the Global Indemnity Agreement.

13           133. The PNCC-affiliated General Partners admit the compliance period expired on  
14 December 31, 2015, and deny the remaining allegations to the extent they are inconsistent with  
15 the project documents.

16           134. The PNCC-affiliated General Partners admit that, on about November 18, 2016,  
17 SHAG gave timely written notice of the exercise of its Special ROFR to the Partnership, the  
18 General Partner, and the Limited Partners; the PNCC-affiliated General Partners otherwise deny  
19 the allegations in Paragraph 134.

20           135. The PNCC-affiliated General Partners lack sufficient information to admit or  
21 deny the allegations that, as of November 18, 2016, AH 258 had not attempted to exercise its  
22 rights under Section 7.4.K, and that neither AH 258 nor Protech W had “given any other  
23 indication of a desire to sell the Woodrose Apartments Project,” and therefore deny the same  
24 The PNCC-affiliated General Partners otherwise deny the remaining allegations in Paragraph  
25 135.

26           136. Denied.  
27

1 137. Denied.

2 138. Denied.

3 139. Denied.

4 140. Denied.

5 141. Denied.

6 **Lakewood Meadows**

7 142. Admitted.

8 143. Admitted.

9 144. Paragraph 144 contains legal conclusions and argument to which no response is  
10 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 144 to the  
11 extent they are inconsistent with the Lakewood Meadows partnership agreement.

12 145. Admitted.

13 146. Admitted.

14 147. Admitted.

15 148. Paragraph 148 contains legal conclusions and argument to which no response is  
16 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 148 to the  
17 extent they are inconsistent with the Lakewood Meadows partnership agreement.

18 149. Paragraph 149 contains legal conclusions and argument to which no response is  
19 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 149 to the  
20 extent they are inconsistent with the Lakewood Meadows partnership agreement.

21 150. Paragraph 150 contains legal conclusions and argument to which no response is  
22 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 150 to the  
23 extent they are inconsistent with the Lakewood Meadows partnership agreement.

24 151. The PNCC-affiliated General Partners deny the allegations in Paragraph 151 to  
25 the extent they are inconsistent with Section 7.4.L.  
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1           152. The first sentence of Paragraph 152 contains legal conclusions and argument to  
2 which no response is required. The PNCC-affiliated General Partners deny the allegations in the  
3 second sentence of Paragraph 152 to the extent they are inconsistent with 26 U.S.C. §  
4 42(i)(7)(A).

5           153. Paragraph 153 contains legal conclusions and argument to which no response is  
6 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 153 to the  
7 extent they are inconsistent with The Global Indemnity Agreement.

8           154. The PNCC-affiliated General Partners admit the compliance period expired on  
9 December 31, 2016, and deny the remaining allegations to the extent they are inconsistent with  
10 the project documents.

11           155. The PNCC-affiliated General Partners are without sufficient knowledge to admit  
12 or deny the first sentence of Paragraph 155, and therefore deny same. The PNCC-affiliated  
13 General Partners admit that SHAG initiated this litigation, and that the relief that SHAG seeks is  
14 described in its Complaint. The PNCC-affiliated General Partners deny the remaining  
15 allegations in the second sentence of Paragraph 155 to the extent they are inconsistent with  
16 SHAG's Complaint and the project documents, and deny all other allegations in Paragraph 155.

17           156. Denied.

18           157. Denied.

19           158. Denied.

20           159. Denied.

21           160. Denied.

22           **Alderwood Court**

23           161. Admitted.

24           162. Admitted.

1           163. Paragraph 163 contains legal conclusions and argument to which no response is  
2 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 163 to the  
3 extent they are inconsistent with the Alderwood Court partnership agreement.

4           164. Admitted.

5           165. Admitted.

6           166. Admitted.

7           167. Paragraph 167 contains legal conclusions and argument to which no response is  
8 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 167 to the  
9 extent they are inconsistent with the Alderwood Court partnership agreement.

10           168. Paragraph 168 contains legal conclusions and argument to which no response is  
11 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 168 to the  
12 extent they are inconsistent with the Alderwood Court partnership agreement.

13           169. Paragraph 169 contains legal conclusions and argument to which no response is  
14 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 169 to the  
15 extent they are inconsistent with the Alderwood Court partnership agreement.

16           170. The PNCC-affiliated General Partners deny the allegations in Paragraph 170 to  
17 the extent they are inconsistent with Section 7.4.L.

18           171. The first sentence of Paragraph 171 contains legal conclusions and argument to  
19 which no response is required. The PNCC-affiliated General Partners deny the allegations in the  
20 second sentence of Paragraph 171 to the extent they are inconsistent with 26 U.S.C. §  
21 42(i)(7)(A).

22           172. Paragraph 172 contains legal conclusions and argument to which no response is  
23 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 172 to the  
24 extent they are inconsistent with the Global Indemnity Agreement.

25           173. The PNCC-affiliated General Partners admit the compliance period has not yet  
26 expired, and deny the remaining allegations in the first sentence of Paragraph 173 to the extent  
27

1 they are inconsistent with the project documents. The PNCC-affiliated General Partners deny  
2 the remaining allegations in Paragraph 173.

3 174. Denied.

4 175. Denied.

5 176. Denied.

6 177. Denied.

7 178. Denied.

8 **Woodlands**

9 179. Admitted.

10 180. Admitted.

11 181. Paragraph 181 contains legal conclusions and argument to which no response is  
12 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 181 to the  
13 extent they are inconsistent with the Woodlands partnership agreement.

14 182. Admitted.

15 183. Admitted.

16 184. Admitted.

17 185. Paragraph 185 contains legal conclusions and argument to which no response is  
18 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 185 to the  
19 extent they are inconsistent with the Woodlands partnership agreement.

20 186. Paragraph 186 contains legal conclusions and argument to which no response is  
21 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 186 to the  
22 extent they are inconsistent with the Woodlands partnership agreement.

23 187. Paragraph 187 contains legal conclusions and argument to which no response is  
24 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 187 to the  
25 extent they are inconsistent with the Woodlands partnership agreement.  
26  
27

1 188. The PNCC-affiliated General Partners deny the allegations in Paragraph 188 to  
2 the extent they are inconsistent with Section 7.4.L.

3 189. The first sentence of Paragraph 189 contains legal conclusions and argument to  
4 which no response is required. The PNCC-affiliated General Partners deny the allegations in the  
5 second sentence of Paragraph 189 to the extent they are inconsistent with 26 U.S.C. §  
6 42(i)(7)(A).

7 190. Paragraph 190 contains legal conclusions and argument to which no response is  
8 required. The PNCC-affiliated General Partners deny the allegations in Paragraph 190 to the  
9 extent they are inconsistent with the Global Indemnity Agreement.

10 191. The PNCC-affiliated General Partners admit the compliance period has not yet  
11 expired, and deny the remaining allegations in the first sentence of Paragraph 191 to the extent  
12 they are inconsistent with the project documents. The PNCC-affiliated General Partners deny  
13 the remaining allegations in Paragraph 191.

14 192. Denied.

15 193. Denied.

16 194. Denied.

17 195. Denied.

18 196. Denied.

19 **V. CAUSE OF ACTION**

20 **FIRST CAUSE OF ACTION**

21 **Declaratory Judgment (Rights of First Refusal)**

22 **(By AMTAX/Protech against SHAG)**

23 197. The PNCC-affiliated General Partners repeat and incorporate by reference each  
24 and every response set forth above.

25 198. Admitted.

26 199. Denied.



**SECOND CAUSE OF ACTION**

**Declaratory Judgment (Removal – Meridian Court)**

**(AH 260 Against Steel Lake)**

200. The PNCC-affiliated General Partners repeat and incorporate by reference each and every response set forth above.

201. Admitted.

202. Admitted.

203. Admitted.

204. Denied.

**THIRD CAUSE OF ACTION**

**Declaratory Judgment (Removal – Auburn Court)**

**(AH 259 Against SHAG)**

205. The PNCC-affiliated General Partners repeat and incorporate by reference each and every response set forth above.

206. Admitted.

207. Admitted.

208. Admitted.

209. Denied.

**FOURTH CAUSE OF ACTION**

**Declaratory Judgment (Removal – Boardwalk)**

**(AH 261 Against SHAC)**

210. The PNCC-affiliated General Partners repeat and incorporate by reference each and every response set forth above.

211. Admitted.

212. Admitted.

213. Admitted.

214. Denied.

**FIFTH CAUSE OF ACTION**

**Declaratory Judgment (Removal – WoodRose)**

**(AH 258 Against SHAC)**

215. The PNCC-affiliated General Partners repeat and incorporate by reference each and every response set forth above.

216. Admitted.

217. Admitted.

218. Admitted.

219. Denied.

**SIXTH CAUSE OF ACTION**

**Declaratory Judgment (Removal – Lakewood Meadows)**

**(AH 257 Against Lakewood Meadows)**

220. The PNCC-affiliated General Partners repeat and incorporate by reference each and every response set forth above.

221. Admitted.

222. Admitted.

223. Admitted.

224. Denied.

**SEVENTH CAUSE OF ACTION**

**Declaratory Judgment (Removal – Alderwood Court)**

**(AH 164 Against Lynnwood)**

225. The PNCC-affiliated General Partners repeat and incorporate by reference each and every response set forth above.

226. Admitted.

227. Admitted.

228. Admitted.

229. Denied.

**EIGHTH CAUSE OF ACTION**

**Declaratory Judgment (Removal – Woodlands)**

**(AH 164 Against Woodlands)**

230. The PNCC-affiliated General Partners repeat and incorporate by reference each and every response set forth above.

231. Admitted.

232. Admitted.

233. Admitted.

234. Denied.

235. No response is required to the remainder of the Counter-Plaintiffs' and Third Party Plaintiffs' counterclaims and third party claims, which set forth the Counter-Plaintiffs' and Third Party Plaintiffs' prayer for relief. To the extent a response is required to the remainder of the counterclaims and third party claims, or to any allegation for which a response has inadvertently not been made, the PNCC-affiliated General Partners deny all such allegations.

**AFFIRMATIVE DEFENSES**

By way of further answer and affirmative defenses, the PNCC-affiliated General Partners allege as follows:

1. Defendants/Counter-Plaintiffs/Third-Party Plaintiffs have failed to state a claim upon which relief can be granted.

2. Defendants/Counter-Plaintiffs/Third-Party Plaintiffs' claims are barred by the doctrines of waiver and acquiescence.

3. Defendants/Counter-Plaintiffs/Third-Party Plaintiffs' claims are barred by the doctrine of estoppel.

4. Defendants/Counter-Plaintiffs/Third-Party Plaintiffs' claims are barred by the doctrine of unclean hands.

WHEREFORE, having fully answered Defendants/Counter-Plaintiffs/Third-Party Plaintiffs' counterclaims and third-party claims, the PNCC-affiliated General Partners pray for relief as follows:

1. That the Court deny Defendants/Counter-Plaintiffs/Third-Party Plaintiffs' request for declaratory judgment in its entirety;
2. That the Court dismiss all claims against them with prejudice;
3. That the Court enter declaratory judgment in SHAG's favor as requested in SHAG's Complaint;
4. That the Court grant such other and further relief as the Court may deem just and proper.

/s/ Dennis H. Walters  
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Attorney for Third-Party Defendants  
Steel Lake Enterprises, LLC, Lakewood  
Meadows Enterprises, LLC, Lynnwood  
Retirement Living, LLC, and Woodlands  
Associates, LLC

**CERTIFICATE OF SERVICE**

I, Julie Nesbitt, affirm and state that I am employed by Karr Tuttle Campbell in King County, in the State of Washington. I am over the age of 18 and not a party to the within action. My business address is: 701 Fifth Ave., Suite 3300, Seattle, WA 98101. On this day, I caused the foregoing ANSWER OF THIRD-PARTY DEFENDANTS STEEL LAKE, LAKEWOOD MEADOWS, LYNNWOOD RETIREMENT AND WOODLANDS to be served on the parties listed below in the manner indicated.

David J. Burman  
Steven D. Merriman  
Perkins Coie  
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Seattle, WA 98101-3099  
dburman@perkinscoie.com  
smerriman@perkinscoie.com

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Via U.S. Mail  
Via Hand Delivery  
Via Electronic Mail  
Via Overnight Mail  
CM/ECF via court's website

**Attorneys for Defendants/Counter-Plaintiffs**

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Via U.S. Mail  
Via Hand Delivery  
Via Electronic Mail  
Via Overnight Mail  
CM/ECF via court's website

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Via U.S. Mail  
Via Hand Delivery  
Via Electronic Mail  
Via Overnight Mail  
CM/ECF via court's website

**Attorneys for Plaintiffs/Counter-Defendants**

1 I declare under penalty of perjury under the laws of the State of Washington that the  
2 foregoing is true and correct, to the best of my knowledge. Executed on this 11<sup>th</sup> day of  
3 December, 2017, at Seattle, Washington.  
4

5 s/ Julie Nesbitt

6 Julie Nesbitt  
7 Assistant to Dennis H. Walters  
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